

Message Text

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ORIGIN OPIC-06

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FROM OPIC

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: THE AGRIBUSINESS COUNCIL PROGRAM

1. ON MARCH 30 REPRESENTATIVES OF THE ABC, OPIC, AND THE FOUR COMPANIES PARTICIPATING IN THE RECENT INVESTMENT MISSION IN EGYPT MET TO EVALUATE THE COUNCIL'S PROGRAM, DETERMINE THE APPROPRIATE RESPONSE TO THE GOE AT THIS TIME, AND REVIEW THE PROSPECTS FOR PROCEEDING WITH THE NINTH AND FINAL STEP OF THE MISSION PROGRAM, VIZ., THE PREPARATION OF FEASIBILITY STUDIES.

2. CORPORATE PARTICIPANTS EXPRESSED GENERAL SATISFACTION WITH THE ORGANIZATION OF PROGRAM AND THE RESULTS OF THE MISSION BUT EACH COMPANY REPORTED ON AREAS OF CONTINUING
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CONCERN WHICH WARRANT FURTHER CLARIFICATION AND IN SOME CASES ASSURANCES FROM THE GOVERNMENT OF EGYPT PRIOR TO COMMITMENT OF TIME AND MONEY TO UNDERTAKE A FEASIBILITY STUDY. THESE CONCERNS INCLUDE TIMING AND EXTENT OF TAX HOLIDAY, PRICE CONTROLS, SUBSIDIES (ESPECIALLY THOSE EXTENDED TO COST OF INPUTS AND COVERING OF OPERATING LOSSES) TO STATE ENTERPRISES TO THE DISADVANTAGE OF PRIVATE SECTOR

COMPETITION, FOREIGN EXCHANGE AVAILABILITY (ESPECIALLY

CRITICAL SINCE MOST PROJECTS ARE FOR PRODUCTION OF FOOD FOR DOMESTIC CONSUMPTION) AND CONSTRUCTION OF FACILITIES INCLUDING COST THEREOF AND AVAILABILITY OF TECHNICAL SERVICES NEEDED TO COMPLETE.

3. SOME OF THESE CONCERNS WERE OUTLINED IN LETTER OF MARCH 21 FROM ABC VICE PRESIDENT GRASBERG TO GAMAL EL NAZER. HOWEVER, COMPANIES REQUESTED THAT A MORE DETAILED COMMUNICATION REQUIRING SPECIFIC RESPONSE FROM THE GOE TO THE FOREGOING CONCERNS BE FORWARDED TO THE GOE. TO THIS END THE COMPANIES AGREED TO SPECIFY PROMPTLY TO THE COUNCIL THE CRITICAL ELEMENTS REQUIRING RESOLUTION WHICH EACH HAS IDENTIFIED FOR ITS RESPECTIVE PROJECT.

4. UPON RECEIPT OF COMPANY RESPONSES THE COUNCIL AND OPIC WILL DISCUSS MANNER IN WHICH TO APPROACH GOE TO LAY ISSUES BEFORE THE APPROPRIATE AUTHORITIES FOR ACTION. THIS STAGE WILL BE CRITICAL TO COMPANY DECISIONS AND OPIC AND COUNCIL WILL WANT EMBASSY INPUT AND ASSISTANCE AS TO HOW BEST TO PROCEED.

5. IN THE MEANTIME, COMPANIES ARE CONTINUING WITH EVALUATION OF INFORMATION RECEIVED DURING ON SITE INVESTIGATION, ARE EXAMINING THOSE AREAS WHICH MUST BE ADDRESSED IN A LIMITED OFFICIAL USE

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FORMAL FEASIBILITY STUDY OF THE PROJECT, AND ARE ESTIMATING THE COSTS AND PERSONNEL TIME INVOLVED TO SATISFY OPIC FEASIBILITY FUNDING REQUIREMENTS. DECONTROL JUNE 30, 1979. VANCE

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